Managing Changes to Local Government Structure in British Columbia: A Review and Program Guide

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Message from the Minister

As British Columbia makes progress toward building strong, sustainable communities, local governments must adapt to changing local circumstances to meet their communities' unique needs and goals. For some municipalities, regional districts and improvement districts, restructuring may be the best way to retain local control, become more accountable, share costs and deliver efficient services.

Restructuring a local government by extending boundaries, incorporating a new local government, or amalgamating with another local government is an important decision that will have a significant impact on a community's future and its relationship to other local governments. These decisions should rest with local governments and citizens who know their communities best.

The Ministry of Municipal Affairs has an important supporting role to play in the restructuring process. As a neutral facilitator, the ministry supports local governments by equipping them with the information and resources needed at all stages of the restructuring process, from initial inquiries through to implementation.

To this end, I am pleased to present this publication, *Managing Changes to Local Government Structure in British Columbia: A Review and Program Guide*. This guide includes information on restructuring options, the rationale and principles behind restructuring, the restructuring process and the roles played by all parties in that process.

Please feel free to contact staff at the Local Government Structure Branch of the Ministry of Municipal Affairs at (250) 387-4054 if you require any assistance or support to undertake your restructuring process successfully. We are building the future together.

Sincerely,

Jim Doyle
MINISTER OF MUNICIPAL AFFAIRS

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1.0 Introduction

Under the *Constitution Act* of Canada, provincial governments have responsibility for local governments. British Columbia is therefore responsible for the legislative framework which creates and maintains the *system* of local governments within the province, including the processes for changes to the structure of local governments. This constitutional responsibility is supported by the belief that the benefits of local self-government are a fundamental part of a flourishing, democratic society. When local citizens participate in local affairs by electing community members to represent them, to make decisions on their behalf, and to be accountable to them, those citizens are shaping their communities and determining their future.

In British Columbia, the system of local government, as described in the *Local Government Act*, is composed of three main forms of local government: municipalities, regional districts and improvement districts. There also exists other legislated forms of local governance for special purposes (for example, the Islands Trust, and the Greater Vancouver Water, Sewer and Drainage District), and these bodies overlap with the areas and powers of local government. However, the concept of restructuring of local government is primarily focused on municipalities, regional districts and improvement districts.

At a fundamental level, the province's responsibilities to local governments include:

- providing a legislative framework for the system of local government which balances powers, authorities, resources and public accountability;
- allowing for the system to adapt over time to make sure that the needs of citizens, and the goals of both the local governments and the province, continue to be met; and
- maintaining constructive and harmonious relations among local governments, between the province and local governments, and between local governments and First Nations.

The Ministry of Municipal Affairs has the responsibility for overseeing change to the local government system, to ensure that the structure of local governments best fits local needs, as well as local and provincial objectives. The local government restructuring program exists to fulfil this responsibility. The scope of the program includes significant change to:

- local government boundaries;
- the jurisdiction for and organization of local government services; and
- local governance mechanisms.

2.0 Purpose of this Document

This paper provides the framework for local government restructuring activity in British Columbia. It will:

- explain the provincial interest in local government structures that adapt to changing circumstances;
- review the options available to local governments and communities that are considering restructuring;
- summarize the historical trends in local government restructuring;
- outline the principles underlying restructuring;
- outline the ministry programs which facilitate the process for restructuring local governments; and
- clarify the roles of those involved in the restructuring process.

3.0 Reasons for Restructuring Local Governments

3.1 Local Governments Must Match Local Needs

Local governments provide local services to people at the level they want and at a price elected officials determine they can afford. They do this while working within provincial standards in areas like public health, environmental protection and safety. As a very diverse province, British Columbia has communities ranging from large rural areas with low population densities to high growth communities with dense populations. Each type of community requires different services, different methods of service delivery and different forms of political representation. Clearly, a "one-size-fits-all" form of local government would fail to meet most local needs adequately. The structure of each local government must match the governed area's settlement pattern, the services required, and local needs for political representation. As communities change, so the need for restructuring may arise, to ensure that the local government continues to meet local needs.

Consider, for example, the following situations:

A **low density rural community** has minimum requirements for local services, perhaps irrigation and fire protection, which are provided by an improvement district. However, there is a desire for additional services, such as recreational facilities, and for a more consolidated voice on issues affecting the community. In such a case, since the community is not a candidate for municipal incorporation, restructuring might involve expanding and consolidating the role of the regional district by transferring improvement district services to the regional district, and

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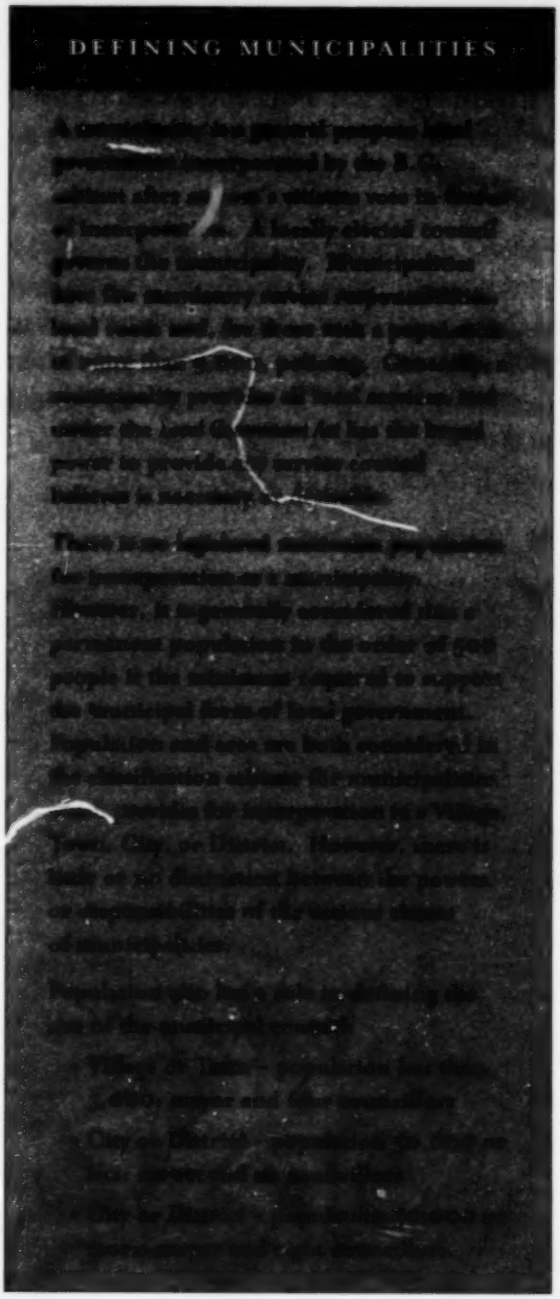
establishing a community committee or commission under the regional district umbrella as a forum for discussion of local issues.

A **higher density rural community** which is quite distant from an existing municipality, and which has several local services provided by different jurisdictions (community water and community hall provided by an improvement district; fire protection and the arena provided by the regional district), and the services require substantial investment and upgrading. In such a case, restructuring may focus on the potential for municipal incorporation, or on the consolidation of services within the regional district framework with a view to direct residents' involvement in service management decisions through an elected body.

An **urban community** which has the full range of local services provided by the regional district and improvement districts, and where the combination of the relatively high population and residents' demands for new services is difficult to manage through the regional district form of local government. In such a case, restructuring would focus on the potential incorporation of the community as a municipality, to achieve the consolidation of service delivery and level of local political representation required to manage a complex urban area.

Around the province, each community is unique, although there are often shared characteristics. A key feature of the province's approach to local government restructuring is to ensure that the scope and process for a community to consider restructuring is the appropriate response to deal with the unique characteristics and issues in the community.



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DEFINING MUNICIPALITIES

A municipality is a general purpose local government incorporated by the B.C. cabinet after an area's citizens vote in favour of incorporation. A locally elected council governs the municipality. Municipalities have few mandatory service responsibilities: local roads and, for those with a population of more than 5,000, policing. Generally, a municipality provides all local services, and under the *Local Government Act* has the broad power to provide any service council believes is necessary or desirable.

There is no legislated minimum population for incorporation as a municipality. However, it is generally considered that a permanent population in the order of 500 people is the minimum required to support the municipal form of local government. Population and area are both considered in the classification scheme for municipalities, which provides for incorporation as a Village, Town, City, or District. However, there is little or no distinction between the powers or responsibilities of the various classes of municipalities.

Population also has a role in defining the size of the municipal council:

- Village or Town - population less than 5,000: mayor and four councillors
- City or District - population 50,000 or less: mayor and six councillors
- City or District - population 50,000 or more: mayor and eight councillors.

3.2 The Impacts of Population Growth

Population growth is the most common and important characteristic which generates interest by local government and citizens in municipal restructuring. Population growth puts pressures on local governments as service providers, and as decision makers. Demands for new and more complex services increase, as does the community awareness of financial decisions about services which directly impact local property taxes. Added to this is an increase in the community's desire to have more local control of its decision making.

This impact of population growth is evident in two main situations. The first is the community which wants to consider municipal incorporation when population growth leads to concerns about the level of services offered to citizens, the community's ability to control local planning, and the lack of a local government which is looking at the community, local services and property taxes as a whole. Restructuring to consider municipal incorporation becomes attractive to a community experiencing population growth because the community believes its interests are better served by a locally elected and autonomous council which can manage that growth and provide a coordinated approach to services.

Second, population growth often occurs equally (or more) in urban fringe areas, or areas just outside municipal boundaries as within the municipality itself. This population growth can create, or emphasize, a range of issues. Often, in these municipal fringe areas, important local services are not in place to match the requirements of the new development. Growth may also exacerbate "free rider" problems where residents of the municipal fringe area benefit from services provided by the municipality for which they do not pay the full costs. Growth can also result in an unfair sharing of industrial or commercial tax base between local governments that are part of the same urban economy. All of these problems tend to increase local political tensions between the municipality and the regional district.

REGIONAL DISTRICTS

Since 1965, regional districts have served as a form of local government in almost all of British Columbia. They are governed by a board of directors, composed of representatives from the municipalities and the electoral areas (that is, the non-municipal areas) within the regional district boundary. Regional districts exist to provide:

- Regional government including the general government role of representing the interests of the region, delivering region-wide services (such as regional parks and economic development) and preparing various types of plans for the region as a whole (such as solid waste management plans and regional growth strategies).
- A political and administrative framework for service partnerships between members of the regional district, where two or more jurisdictions agree to providing a service jointly. For example, the Capital Regional District provides a recreation facility on behalf of the Central Saanich, Sidney and North Saanich municipalities.
- The general local government for non-municipal areas, providing a range of local and regulatory services to residents within electoral areas.

For more information, see *A Primer on Regional Districts in British Columbia* at www.marh.gov.bc.ca/LGPOLICY/MAR/content.html.

These issues can be resolved often through local planning and servicing arrangements, but in the absence of these solutions, the local governments may consider major restructuring of the municipal boundary as the best approach.

3.3 Provincial Involvement in Restructuring

The province meets its constitutional responsibility for local governments by making sure they have the ability to adapt to population growth or other change. The province is ultimately involved in all local government restructuring, since restructuring is approved by the provincial cabinet.

However, the province recognizes that there is a natural evolution in the form of local government which suits a community. Communities may evolve from sparsely populated rural areas to self-contained rural communities, from rural communities to urban ones, or from municipal fringe areas with minimum development to extensive development. The province seeks to adapt local government structures progressively to match the evolution of the area.

Although the province is integrally involved in local government restructuring, the process of change is always locally driven. Under the *Local Government Act*, decision-making rests with local citizens through the requirement for an approved vote of electors prior to cabinet approval of municipal incorporation. The provincial involvement is to act as a resource and facilitator, to assist communities to overcome barriers to change and to renew local government structures so that they address current local circumstances.

IMPROVEMENT DISTRICTS

An improvement district is a special purpose local government incorporated by the B.C. cabinet, to provide only the specific services authorized. Most improvement districts provide just one service, usually water or fire protection, but they do not have land use planning or general regulation powers. They are governed by a board of trustees elected at an annual general meeting by land owners. Improvement districts have been a long-standing feature of the local government system, but are gradually being phased out as regional districts assume their service roles.

For more information see the ministry's *Policy Statement on Improvement District Governance* at www.marh.gov.bc.ca/MUNIADMIN/IMPROVEMENT/ on the Internet.

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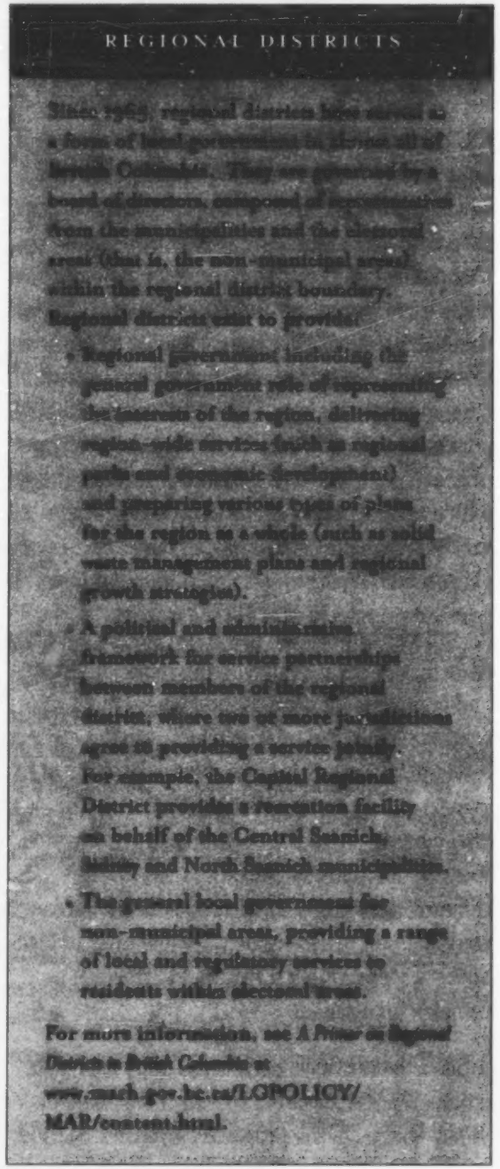

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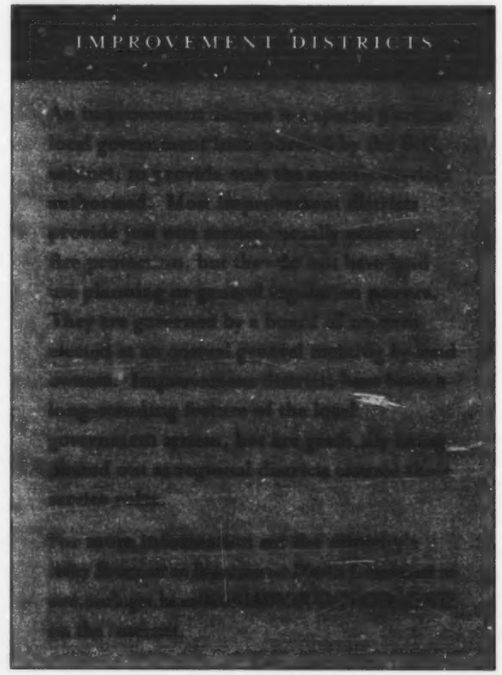


4.0 Types of Local Government Restructuring

Local government restructuring can take various forms. Generally, all restructuring activity falls into one of two categories:

- restructuring of municipal boundaries; or
- restructuring of regional districts, improvement districts and other components of the local government system.

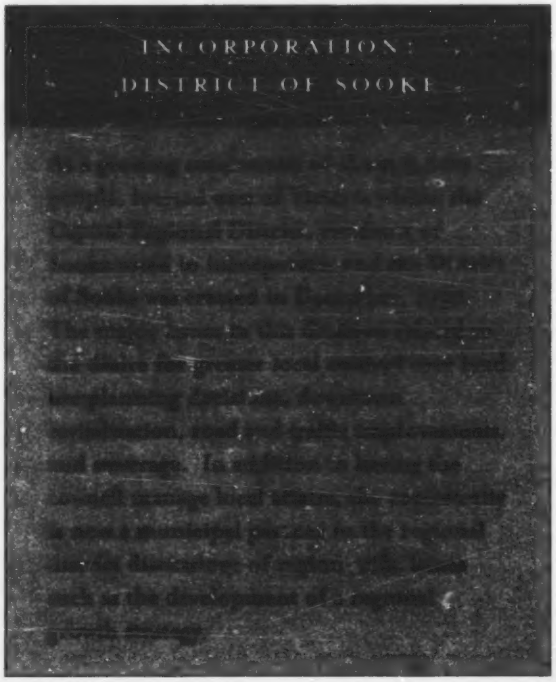
Municipal restructuring has been the primary focus of local government restructuring in recent decades. However, the second category is becoming an increasing focus of local government restructuring, reflecting growing interest in improving the efficiency and effectiveness of service delivery and local governance. The following sections provide more detail about each type of restructuring activity.

4.1 Municipal Restructuring

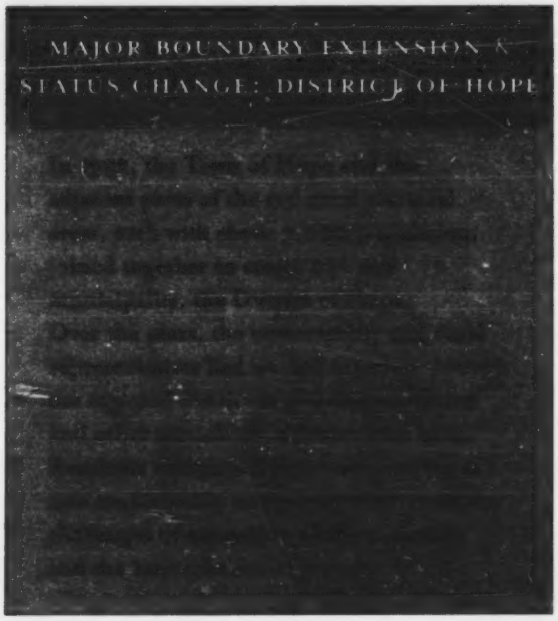
Since 1985, 35 municipalities in B.C. have been the subject of a major municipal restructuring. In addition, many more municipalities have undertaken minor boundary extensions, which are considered to be in a separate category from municipal restructuring. The main forms of municipal restructuring include the following:

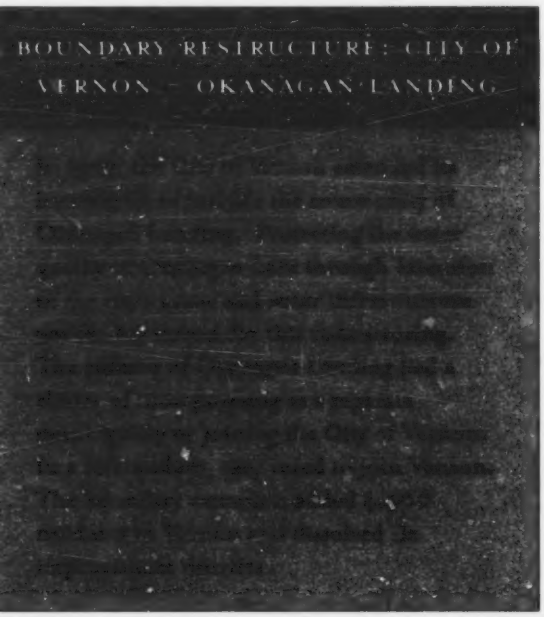
Incorporation of a new municipality. Since 1985, voters have approved incorporation of 12 new municipalities, ranging in size from the District of Langford (population 14,425) to the District of Wells (population 227).

Boundary Restructuring of one existing municipality, to enclose a substantial population and area into the boundaries of a municipality. This may be implemented as a major boundary extension, or as a transformation of an existing municipality into a new municipal corporation including a change in municipal classification or



status, for example from village to city status. A substantial number (13 since 1985) of this type of restructuring have been approved in recent years, to a large extent motivated by an attempt to solve complex servicing, land use or development issues. The largest boundary extensions were in Vernon (Okanagan Landing)





and Campbell River (Quinsam Heights and North Campbell River) which added 4,400 and 4,060 people respectively to those municipalities. Six other major boundary extensions were completed, four of these bringing major industrial establishments within municipal boundaries.

Multi - Municipality Restructuring which involves two or more municipalities and a substantial unincorporated area adjacent to the existing municipal boundaries. This situation represents the most complex type of restructuring. Between 1973 and 1975, 4 restructures of this type were implemented (Kamloops, Nanaimo, Kelowna and Prince George). None have proceeded since that time, although some studies have been undertaken.

Amalgamation of two or more existing municipalities into a single new municipality, which is approved by voters within each municipality. Amalgamation is a rare form of restructuring in B.C., the most recent being the merger of Abbotsford and Matsqui to form the City of Abbotsford in 1995.

Clearly, municipalities have been very active in restructuring. The restructuring pattern has been relatively even across the province, occurring in almost every corner of B.C., although restructuring activity has been greatest in the high growth regions of B.C. — the Lower Mainland, lower Vancouver Island, the Fraser Valley and the Okanagan.

4.2 Regional District Restructuring

The forms of restructuring included in this category are as follows:

- changes to regional district boundaries, including amalgamation of regional districts, creation of new regional districts, adjustment of regional district boundaries, and changes to the number and boundaries of electoral areas;
- evaluation and implementation of comprehensive reviews of regional or sub-regional service partnerships, within the framework of the regional district;

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INCORPORATION: DISTRICT OF SOOKE

As a growing community of about 9,000 people, located west of Victoria within the Capital Regional District, residents of Sooke voted to incorporate, and the District of Sooke was created in December, 1999. The major issues in this decision related to the desire for greater local control over land use planning decisions, downtown revitalization, road and traffic improvements, and sewerage. In addition to having the council manage local affairs, the community is now a municipal partner in the regional district discussions of region-wide issues such as the development of a regional growth strategy.

MAJOR BOUNDARY EXTENSION & STATUS CHANGE: DISTRICT OF HOPE

In 1992, the Town of Hope and the adjacent parts of the two rural electoral areas, each with about 3,000 population, joined together to create one new municipality, the District of Hope. Over the years, the municipality and rural representatives had worked together through the regional district to provide recreation and other services on a cooperative basis. Residents recognized that restructuring as a new municipality would help them meet the challenges of expansion of those services and the management of growth.

BOUNDARY RESTRUCTURE: CITY OF VERNON - OKANAGAN LANDING

In 1993, the City of Vernon extended its boundaries to include the community of Okanagan Landing. Protecting the water quality of Okanagan Lake through extension of the city's sewer and water infrastructure was the key reason for this restructuring. The citizens of Okanagan Landing had a choice of incorporating as a separate municipality or joining the City of Vernon. In a referendum, they voted to join Vernon. The boundary extension added 4,400 residents to Vernon and dissolved six improvement districts.

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AMALGAMATION: CITY OF ABBOTSFORD

In 1995, the District of Abbotsford and the District of Matsqui amalgamated to form the new City of Abbotsford, a community of 110,000. The two municipalities had existed side-by-side over the years and had developed joint approaches to providing a number of important services including sewage treatment, parks and recreation, and fire protection. Municipal amalgamation had been voted on in 1990, and was approved by Abbotsford voters but narrowly rejected by Matsqui voters. The challenges of rapid growth and desires for major infrastructure improvements, more closely integrated police services, and a more diversified economy, led the two communities to approve municipal amalgamation.

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- transfer of improvement districts to regional districts; and
- general consideration of local governance and service delivery for non-municipal communities within the regional district framework.

Ministry programs are designed to assist with all of the above forms of local government restructuring.

Since regional districts were established in the late 1960's, very little regional district restructuring has taken place. Major restructuring in regional districts includes the following:

In 1987, the Peace River-Liard Regional District split to create the Fort Nelson-Liard Regional District, now called Northern Rockies Regional District and the Peace River Regional District. The split occurred because the Fort Nelson portion of the region felt remote and inaccessible from the Dawson Creek "county seat". Although the Northern Rockies Regional District has only a small population, it can stand on its own as a regional district because it has a large area and a rich industrial and utility tax base.

In 1988, the Greater Vancouver Regional District (GVRD) expanded its boundaries to include the City and District of Langley. This expansion reflected the fact that the two municipalities were already members of a number of GVRD services, including the regional sewer, water and park services.

In 1995, the GVRD added the municipalities of Pitt Meadows and Maple Ridge because these municipalities were already members of a number of GVRD services.

REGIONAL DISTRICT RESTRUCTURING: FRASER VALLEY REGIONAL DISTRICT

The Fraser Valley Regional District was created in 1995 following the amalgamation of the Central Fraser Valley, Dewdney-Allouette and Fraser Cheam Regional Districts. It is now the third largest regional district in the province. The amalgamation came about because of rapid growth and because several former members of the regional district, including Langley City, Langley District, Pitt Meadows, and Maple Ridge, shifted membership to the Greater Vancouver Regional District. This amalgamation occurred to create a more efficient local government structure and to provide for more effective growth management. The adoption of the *Growth Strategies Statutes Amendment Act* and the GVRD's Livable Region Strategic Plan also provided the impetus for the establishment of the Fraser Valley Regional District. The region is now well established and is actively engaged in developing a regional growth strategy.

In 1995, the Dewdney-Alouette, Fraser-Cheam and Central Fraser Valley Regional Districts amalgamated to create the Fraser Valley Regional District. This is the only amalgamation of regional districts that has occurred.

These examples show that regional districts restructure themselves for different reasons. In the case of the GVRD, restructuring created a larger local government unit with economies of scale and more effective growth management. Conversely, in the case of Northern Rockies, splitting a single regional district into two created smaller units that improved access to government.

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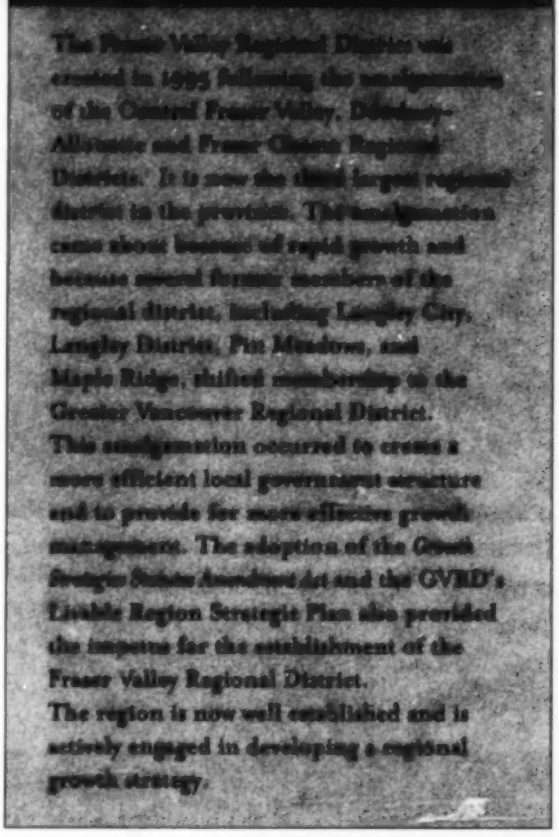
In 1995, the GVRD added the municipalities of Pitt Meadows and Maple Ridge because these municipalities were already members of a number of GVRD services.

REGIONAL DISTRICT RESTRUCTURING: FRASER VALLEY REGIONAL DISTRICT



In 1995, the Dewdney-Alouette, Fraser-Cheam and Central Fraser Valley Regional Districts amalgamated to create the Fraser Valley Regional District. This is the only amalgamation of regional districts that has occurred.

These examples show that regional districts restructure themselves for different reasons. In the case of the GVRD, restructuring created a larger local government unit with economies of scale and more effective growth management. Conversely, in the case of Northern Rockies, splitting a single regional district into two created smaller units that improved access to government.

4.4 Restructuring Improvement Districts

The Ministry of Municipal Affairs inherited the responsibility for improvement districts from the Ministry of Environment, Lands and Parks in 1979. By 1988, the number of improvement districts peaked at 324. As a result of the ministry's Rural Services Task Force policy paper in 1990, the ministry began to limit the incorporation of new improvement districts and began actively encouraging existing improvement districts to restructure instead. Since then, the number of new improvement districts that have been incorporated has fallen dramatically, with only three in the past six years, and the number of dissolutions has increased. Today, there are 275 improvement districts.

The province recognizes municipalities and regional districts as the main components of the local government system. Because of this, it expects that improvement districts will, over time, convert to municipal or regional district jurisdiction and, eventually be eliminated. The process of change will be gradual and voluntary. In the meantime, improvement districts play an important role in providing local services to rural areas.

The ministry uses the following tools to encourage improvement districts to restructure themselves:

- The creation of new improvement districts is only done if there is no alternative.
- The statutory powers of the *Local Government Act* to eliminate as many improvement districts as possible when municipalities restructure. For example, when Lake Country incorporated four improvement districts were eliminated. When Vernon enclosed the Okanagan Landing community within the city, six improvement districts were eliminated. Eight more disappeared when Sooke and Bowen Island incorporated.
- Infrastructure grants are used as incentives for restructuring improvement districts. Improvement districts do not receive infrastructure grants, but can gain access to these capital grants by converting to regional district service areas.

For more information, see the ministry's *Policy Statement on Improvement District Governance* at www.marh.gov.bc.ca/MUNIADMIN/IMPROVEMENT/.

5.0 The Pros and Cons of Restructuring

This section looks at the arguments for and against various forms of restructure.

5.1 Municipal Restructuring

As an inclusive term, municipal restructuring covers a wide variety of structural changes to municipalities, including incorporation, major extensions of municipal boundaries and amalgamation. The main arguments favouring municipal restructuring are:

LOCAL CONTROL: Residents of rural areas, through the election of a municipal council, gain enhanced local autonomy and responsibility. This means decision making on issues like land use planning, road maintenance and policing are made closer to home.

EFFECTIVE POLITICAL REPRESENTATION AND ACCOUNTABILITY: Bringing rural territory into municipal jurisdiction provides rural residents with a more representative and accountable local government. Rather than relying on a single electoral director to represent their interests, they would have a full council.

SERVICE PROVISION: Restructuring allows municipalities to provide services like water, sewerage and fire protection to formerly rural areas more effectively.

FAIR COST SHARING: Restructuring can eliminate urban fringe problems or the concern that rural residents living adjacent to municipal boundaries consume municipal services without paying the full cost.

FAIR REVENUE SHARING: Restructuring can lead to a fairer sharing of a scarce industrial and business tax base.

COMMUNITY INTEREST: Restructuring provides communities with an opportunity to assert their interests in dealing with the province, other municipalities and the region.

EFFECTIVE GROWTH MANAGEMENT: Restructuring can lead to more effective growth management by providing for a stronger political body for the community and by eliminating problems which cross jurisdictions.

The major arguments against municipal restructuring are as follows.

LOSS OF POLITICAL CONTROL: Residents of an unincorporated area may be fearful of losing control by being absorbed within a large municipality and losing easy access to their electoral area director.

COSTS: Residents of unincorporated status may be concerned with the increased costs of municipal status and the impact on their tax bills.

REGIONAL DISTRICT SERVICES: Many of the issues in urban fringe areas can be resolved through establishment of regional district service areas. For example, these can enable rural areas to contribute to municipal services and solve "free-rider" problems. As well, service areas can be used to provide municipal services like fire protection to unincorporated areas.

COMMUNITY PLANNING: Inclusion of residents in a municipal area may raise fears that residents will lose rural environment or atmosphere.

5.2 Municipal Amalgamation

Municipal amalgamation is a special form of municipal restructuring that merits its own discussion. Amalgamation is defined as combining two or more municipalities into a single new municipality. In its purest form, an amalgamation does not involve bringing rural territory into a municipal jurisdiction at the same time; however, in practice, this may happen. For the purposes of this paper, amalgamation will be examined in its purest form.

As mentioned in the historical discussion of amalgamation in Section 4, amalgamation is rare in British Columbia. The most recent example of amalgamation was the 1995 union of the Districts of Abbotsford and Matsqui into the new City of Abbotsford.

The relatively low level of amalgamation activity can be explained by the following factors:

- the presence of a flexible regional district system allows municipalities to achieve the advantages of amalgamation, for example economies of scale, by creating regional district service areas or purchasing services from regional districts;
- the Ministry of Municipal Affairs' grant programs, especially the Small Community Protection component of the basic grant under the *Local Government Grants Act*, provides a basic level of provincial financial support for small communities. This level of support has been a long-established feature of provincial policy;
- the existing police cost formula discourages small municipalities from amalgamating with their neighbors. Communities under 5,000 in population do not pay for the cost of policing while those above pay between 70 and 90 per cent of the cost, depending on their size.

There are strong arguments in favour of amalgamation. Through amalgamation, municipalities may benefit from:

- more effective government;
- better ability to manage growth through integrated planning;
- economies of scale or lower per capita service costs when providing some services to a larger population;
- fairer cost sharing;
- elimination of the "free rider" problem in which citizens of bordering municipalities benefit from services they don't pay for;
- better integration of infrastructure services like sewerage or solid waste management; and
- more equitable access to resources; for example, an industrial tax base.

Strong arguments can also be made against amalgamation:

- small communities can achieve economies of scale through joint service provision agreements;
- the regional district system can address many of the issues otherwise solved through amalgamation by creating service areas;
- the regional district system allows for fairer distribution of service costs across an urban area;

- the regional district system allows services, like sewerage and solid waste management, to be organized on a regional or sub-regional basis;
- the regional district system can overcome the "free-rider" problem if key services are provided on a regional or sub-regional basis;
- economies of scale vary significantly by service and population level;
- the growth management problems created by having many small communities can be reduced by using tools provided by the *Growth Strategies Act*;
- local autonomy sometimes outweighs the efficiency values of amalgamation;
- smaller community councils can be more accessible to their citizens and have stronger local identities; and
- smaller communities are better able to match the interests of local residents, their willingness to pay and the services provided.

5.3 Regional District Restructuring and Amalgamation

Over the past few years there has not been a restructuring or amalgamation of regional districts. This can be explained by a number of factors:

- Most regional districts are geographically large, have large populations, a long history, a well-established staff, and the resources they need to provide services, and
- Changing regional boundaries is complicated and requires consensus among a wide number of political units that the current structure does not work and that an alternative structure is better.

5.4 Restructuring Improvement Districts

Improvement districts play an important role in rural service delivery in many parts of the province. They provide the following key benefits:

COST SAVINGS: Smaller improvement districts have low costs because they are essentially run by volunteers; and

ACCESSIBILITY: Improvement districts are an example of self-help and grass roots democracy.

Improvement districts have been restructuring at a quick pace for the past few years for the following reasons:

GROWTH MANAGEMENT: Restructuring improvement districts under a municipal or regional district umbrella creates a closer link between responsibilities and decisions in land use planning and servicing.

ACCOUNTABILITY: Regional districts and municipalities have more fully developed accountability provisions than improvement districts, particularly for elections.

EFFICIENCY AND EFFECTIVENESS: Municipalities and regional districts have professional staff and can provide professional services better than improvement districts.

INTER-JURISDICTIONAL HARMONY: Improvement districts are often in conflict with regional districts and municipalities over issues such as service standards and land use policies.

FINANCIAL EFFECTIVENESS: Municipalities and regional districts have a broader range of financial tools and resources available to them including access to *Local Government Grants Act* programs, the provincial tax roll and the Home Owner Grant.

ECONOMIES OF SCALE: Municipalities and regional districts can provide for economies of scale.

Improvement districts will continue to be an important part of the rural service delivery system. Moreover, provincial policy supports the gradual elimination of improvement districts and that municipalities and regional districts assume the responsibilities of improvement districts over time. The provincial strategy is articulated in the ministry's *Policy Statement on Improvement District Governance*, available at www.marh.gov.bc.ca/MUNIADMIN/IMPROVEMENT/.

6.0 British Columbia's Approach to Restructuring Local Governments

6.1 Historic Approach: The Passive Strategy

Until the early 1970s, the provincial government employed a passive approach to local government restructuring because it was seen as a local issue. If local communities perceived an interest in restructuring, the province assumed they would organize themselves, undertake the necessary technical analysis and request that the Minister order a referendum. Under this approach, all parties assumed the province had no interest except to perform the most basic constitutional roles: holding referenda on restructure proposals, and developing Letters Patent for newly incorporated municipalities or restructured local government units. The level of provincial transitional assistance was minimal.

6.2 The Directive Strategy

By the mid-1970s, after it became clear that the passive approach was inadequate to deal with growth and change, the provincial government had developed a strong interest in restructuring. As a result of the surge in provincial government interest in restructuring between 1972 and 1975, the province shifted from a passive strategy to a directive strategy. The ministry abandoned the passive approach to restructuring because it recognized that:

- The province had interests in restructuring that extended beyond its narrow constitutional responsibilities, including local autonomy, financial goals and growth management objectives.
- A passive approach had failed to induce the desired level of change and consequently both the province and local governments were losing out on the benefits created by restructuring local governments.

The province believed it had the greatest interest in restructuring and asserted itself over local governments to achieve its interests. At the time, the province held a major interest in managing growth. The province's directive approach took the form of either legislating structural change and/or using the persuasive powers of the province to induce change.

The province used the first two approaches between 1972 and 1975, most notably to restructure the fast-growing major regional centres of Kamloops, Kelowna, Nanaimo and Prince George. Kamloops and Kelowna were restructured through legislation over the objections of the local politicians. Nanaimo and Prince George were restructured through provincial mandates, but local politicians supported the action and the electorate ratified it in overall referenda.

The directive approach has the advantage of providing a quick and decisive outcome to a restructuring process. As a result, it can overcome local political resistance or a lack of local consensus on change. As well, the province can dictate the form of restructuring it wants. The directive approach has many disadvantages:

- the political cost to the province and local governments can be high if local politicians resist;
- the financial cost to the province can be high if localities resist;

- it can create an atmosphere which negatively affects voluntary change in other areas; and
- forced restructuring may not achieve growth management objectives without a voluntary commitment to effective land use planning.

The province stopped using the directive approach as a general strategy in the 1980s. However, it remains in the province's restructuring tool kit and has been used to solve isolated situations where there are deeply entrenched local problems. The province used the directive approach to:

- dissolve the Greater Campbell River Water Board in 1986 and turn over control to the District of Campbell River;
- dissolve the South Okanagan Lands Irrigation District (SOLID) in 1989 and turn over control to the towns of Oliver and Osoyoos;
- restructure the Greater Victoria Water District in 1997, giving control to the Capital Regional District while preserving the water supply and creating parkland;
- achieve provincial economic development objectives by incorporating Whistler in 1975 and Tumbler Ridge in 1981.

6.3 The Current Strategy: A Facilitative Approach

The ministry shifted from a directive strategy to a facilitative approach in the mid-1980s. This move away from top-down restructuring built upon B.C.'s local tradition of changing local government structures through local assent using referenda. At the same time, the province recognized that both the province and local governments would benefit if the province remained actively involved in local government restructuring processes. As a result, the province created a formal program of incentives and disincentives to guide local government restructuring without forcing change. To meet the new interest in restructuring, the ministry fully developed a restructuring program in the mid-1980s. It created a Local Government Structure Branch in 1986.

The province raised the provincial rural service levy under the *Taxation (Rural Area) Act* to more evenly match provincial tax revenues from rural areas with provincial expenditures on rural roads and policing. The higher levy almost neutralized the fiscal differences between rural and municipal areas, allowing local areas to make choices about local government restructuring without financial penalty. Decisions could be made on the basis of local control, community aspirations, service effectiveness and political accountability.

At the same time, the province also developed a program of incentives to assist local governments to plan and implement restructuring. These incentives include Restructure Planning and Implementation Grants under the *Local Government Grants Act* and parallel programs to deal with policing costs from the Ministry of Attorney General, road costs from the Ministry of Transportation and Highways, and rural tax refunds from the Ministry of Finance and Corporate Relations. Further information on

Ministry of Municipal Affairs grants is available from the ministry website at www.marh.gov.bc.ca/grants.html.

This two-sided approach of equalizing taxes and providing incentives has been highly effective in motivating communities to restructure because it:

- builds local consensus and political support for restructure;
- respects local autonomy and the will of the electorate;
- avoids compulsory participation in restructuring;
- provides a political benefit for both local governments and the province; and
- provides financial benefits to local governments and minimizes the province's financial exposure.

7.0 Principles for Restructuring

The Ministry of Municipal Affairs' facilitative approach to restructuring local governments reflects a number of fundamental principles:

- the process for examining local government restructuring should be locally focussed;
- a local committee oversees an independent consultant;
- local government restructuring should be decided by the electorate through a referendum;
- local government restructuring decisions should be made by an informed electorate after an extensive process of research, analysis and community discussion; and
- all sectors of the community need to be represented and involved in the discussion.

These fundamental principles underlie the restructuring process itself. As well, they provide the context for discussing the roles of the participants in the process.

.0 The Restructuring Process

ocal government restructuring has evolved into well-established process that is completed in ve phases.

the preliminary phase, communities make their rst contact with the Ministry of Municipal ffairs. The ministry evaluates the local context nd provides the community with general nformation on the restructuring process. At this tage, the ministry may facilitate a public meeting ithin the community to provide information bout the process.

ext, local governments create a restructuring ommittee that represents a broad range of local nterests. The committee's main task at this point to oversee the preparation of a restructuring tudy and to manage public consultation. he ministry sanctions the study process. linistry staff provide the committee with advice n how to form the committee and design the onsultation process.

hirdly, the restructuring committee establishes he terms of reference for a restructuring study, sues a call for proposals and selects a onsultant. The ministry approves a Restructure lanning Grant to fund the study and provides taff who act as resources when necessary. he study is then conducted, with the goal of btaining information on the impact of estructuring on fiscal issues, service delivery, olitical representation, etc.

the fourth phase, the restructuring committee resents the study findings to the community nd, based on public input, decides whether to ecommend a referendum to the ministry. If the ommittee wishes to proceed, the Minister offers restructuring assistance grant and orders a eferendum on restructuring.

Finally, a referendum is held. If the vote passes, the implementation process begins. Ministry staff prepare the Letters Patent, which are then considered by cabinet. If the Letters Patent are approved, ministry staff then coordinate the implementation of the restructuring. The ministry also provides financial assistance to the community to implement restructuring.

9.0 Roles and Responsibilities in the Restructuring Process

9.1 The Public

All local government restructuring is based on choices made by local citizens. Generally, restructuring takes place only with the assent of the electorate through a referendum using procedures set out in the *Local Government Act*. These procedures make sure that local citizens make decisions based on complete and accurate information.

9.2 The Ministry

The Ministry of Municipal Affairs plays a pivotal role in the restructuring process. It fulfils a constitutional role by establishing municipalities and regional districts. It also provides the means of communication between communities, local governments and provincial ministries.

The ministry follows a set of basic principles to direct its involvement in local government restructuring processes. The ministry:

- gets involved in a restructuring process only when invited to do so;
- will offer helpful, informative and generous advice without interfering in a locally initiated and sustained process;
- acts as a broker, creating a bridge between the community, the local government and provincial ministries; and
- assists a community in determining whether it needs to restructure and what form that restructure will take, while remaining as neutral as possible.

Based on these principles the ministry plays a number of significant roles in the restructuring process. The ministry:

- provides restructure planning grants to restructuring committees, allowing them to hire a restructuring consultant to undertake feasibility studies;
- provides a significant source of information on restructuring and local government in general;
- serves as a corporate memory of previous restructuring initiatives and is a point of contact with other communities and restructuring committees, allowing the committee to learn from the experiences of others;
- acts as a mediator where differences arise within the community or between the community, local governments and provincial agencies;
- organizes and supervises the referendum on restructuring;
- works with other ministries to provide a comprehensive offer of assistance for restructuring;
- develops the Letters Patent to implement restructuring if the referendum passes;
- works with the council and regional district to implement restructuring, including holding elections for municipal council if required; and
- works with the new or restructured municipality to ensure a smooth transition to its new status.

9.3 Other Provincial Ministries

A number of other provincial ministries have important roles to play in the local government restructuring process. Their role arises because restructuring local governments involves a shift in governance, service and financial responsibility from the province to local governments. These agencies are both a source of information and a support in managing the transition to a restructured government. The Ministry of Municipal Affairs plays a key role in the process by bringing these provincial agencies to the table.

The **Ministry of Transportation and Highways** (MoTH) is responsible for maintaining all public roads in rural areas. Restructuring means that all roads except those in the provincial highway network will be transferred to the local government. MoTH provides information to Municipal Affairs on the implications of these transfers and offers transitional assistance. After restructuring, MoTH generally makes sure maintenance contractors continue to provide maintenance services for roads transferred to the municipality for five years or to the end of the maintenance contractor's contract, whichever is the less.

The **Ministry of Attorney General** (MAG) is responsible for policing in rural areas. If a new municipality is incorporated and its population is over 5,000, or if restructuring pushes the population of an existing municipality past 5,000, then the municipality becomes responsible for policing on April 1 following the census which establishes the population at that level. The MAG provides transitional assistance so that the municipality does not pay these costs for approximately five years following the date of restructuring.

Once the municipality assumes responsibility, the Ministry of Municipal Affairs may also provide a grant to ease the transition.

The **Ministry of Finance and Corporate Relations** (MFCR) is responsible for administering the property tax system in rural areas. As well, it sets and levies the provincial rural services tax under the *Taxation (Rural Area) Act*. The ministry provides a newly incorporated or restructured municipality with a refund of taxes collected under this Act. If restructuring takes effect before July 1 in a given year, 100 percent of the taxes are refunded. If the restructure takes place after June 30, 50 percent of the taxes are refunded.

9.4 Regional Districts

Regional districts play a major role in any local government restructuring that involves rural territory — meaning they are involved in all restructuring except municipal amalgamation. A regional district serves as the government of rural areas in both a political and technical role.

The electoral area director for the restructuring rural area plays a pivotal role as the political representative for rural residents. The ministry will generally consider incorporation of a new municipality only if the electoral area director supports the restructuring process. The area director is often the person who approaches the Ministry of Municipal Affairs seeking information and assistance to get the process underway. In particular, the director is involved in establishing a broadly-based restructuring committee. When restructuring an existing municipality involves a rural territory, the electoral area director, as well as the mayor and municipal council, request or support the restructuring study process.

The regional board has an interest in what is occurring within its territory and in the impact of restructuring on its services, but the decision about the form of government is made by the citizens of the community considering restructuring. Regardless of the outcome of a referendum on restructuring, the residents of the rural area will continue to be citizens of the regional district and receive services from the regional district, although the services provided could change.

The regional district's main role in the restructuring process is administrative. Because the ministry generally provides Restructure Planning Grants to the regional district, it acts as the banker for the restructuring committee by disbursing funds both to the committee and the restructure study consultant. Also, the regional district provides administrative support and crucial information on service provision under various restructuring scenarios to the restructuring committee.

9.5 Municipalities

Municipalities play a critical role in any restructuring involving a municipality, whether it is extending boundaries to include rural territory or amalgamating. When amalgamating, the municipalities have the primary interest in the restructuring process and outcomes and should, therefore, dominate the restructure committee. When restructuring involves a rural area, both the municipality and the rural area should be represented on a restructuring committee.

9.6 The Restructuring Committee

A restructuring committee guides and manages the restructuring process by researching, analyzing and discussing possible changes to the local government's structure. The committee makes sure the process is — as much as possible — neutral and at arms length from the Ministry of Municipal Affairs, the regional district and municipalities. This means that the committee should be broadly representative of all of the interests in the community, including geographical areas, sectors and local governments. The committee must not be biased or represent any single viewpoint in the community. Restructuring committees can be established under a wide variety of approaches.

9.7 The Restructuring Study Consultant

Major local government restructuring should be preceded by a full feasibility study, called a restructuring study. This study is done by an independent and qualified consultant from the private sector. The consultant researches the impacts of restructuring on the community's fiscal arrangements, service delivery and political representation. The consultant is a technician who should facilitate discussions and provide information without taking a position within the committee or community.

10.0 Conclusion

Local government restructuring plays a vital role by contributing to a prosperous economy and healthy society in British Columbia. By serving the needs and interests of local citizens and their governments, restructuring offers a clear, straightforward way of addressing local priorities with a government structure that matches local conditions. Adaptable and serving local priorities and desires, local government restructuring is an important tool that can be used to help British Columbians build a better future.

For more information contact:

Ministry of Municipal Affairs
Local Government Structure Branch
P.O. Box 9490 Stn. Prov. Govt.
Victoria, BC V8W 9N7

Phone: (250) 387-4054
Fax: (250) 387-7972

E-mail: structure@hq.marh.gov.bc.ca

Ministry of Municipal Affairs website –
www.marh.gov.bc.ca

Appendix 1: The Benefits of Local Governments

By supporting an efficient and effective local government system, citizens, local governments and the province benefit in the following vital areas:

ECONOMIC DEVELOPMENT

A strong local government system provides a solid foundation for effective economic development by delivering basic infrastructure services like roads, sewerage and water. Also, well-planned, safe and appealing communities attract and retain businesses and a skilled labour force.

ENVIRONMENTAL PROTECTION

Local governments play a vital role in environmental protection through community planning and regulatory powers directed at protecting environmentally sensitive areas, resource lands and open space. As well, local governments provide important environmental infrastructure services like sewage treatment and solid waste management.

HEALTH

Local governments play a major role in maintaining a healthy society. They are responsible for providing a potable water supply, making sure sewerage is managed effectively and disposing of solid waste. At a more general level, they are responsible for creating and maintaining healthy communities that are safe and well planned. They provide a range of recreation and cultural facilities that promote health, including parks, swimming pools, libraries and art galleries.

SAFETY

Local governments play a major role in maintaining safe communities. This comes about through their responsibility for policing services and for creating a physical environment and infrastructure that prevents crime.

EDUCATION

Local governments contribute to the development of the education system. At the most fundamental level, they plan for and assist in acquiring appropriate school sites. At a more general level, they provide the community infrastructure necessary for developing a literate society.

AFFORDABLE HOUSING

Local governments play an important role in providing affordable housing through appropriate planning policies, regulations and financial policies.